

OLYMPIC EDUCATIONAL SERVICE DISTRICT NO. 114
Clallam, Jefferson, Kitsap, And Mason Counties, Washington
September 1, 1992 Through August 31, 1993

Schedule Of Federal Findings

1. The District Should Minimize The Time Elapsed Between Receipt And Expenditure Of Federal Funds

During the 1992-93 fiscal year, Olympic Educational Service District No. 114 Head Start program (CFDA No. 93.600) retained federal funds in excess of its immediate needs. Excess cash balances existed at the end of the following months:

June 1993	\$45,723.05
July 1993	26,206.48

45 CFR Part 74.61 (e) states:

Procedures shall be established to minimize the time elapsing between the advance of Federal grant or subgrant funds and their disbursement by the recipient.

The *Discretionary Grants Administration Manual* for the Office of Human Development Services, U. S. Department of Health and Human Services sets additional requirements based on the above CFR:

Federal funds shall be promptly refunded to the Department and redrawn when needed if the funds are erroneously drawn in excess of immediate disbursement needs. The only exception to the requirement for prompt refunding are: (1) when the funds involved will be disbursed by the grantee within seven calendar days, or (2) are less than \$10,000 and will be disbursed within 30 calendar days. (Emphasis added.)

These exceptions to the requirement for prompt refunding shall not be construed as approval for a grantee to maintain excessive funds; rather, they are applicable only to excessive amounts of funds which are erroneously drawn.

The "Common Rule" Section _____.21 (i) states:

... grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the federal agency. The grantees or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

Excessive cash balances and delays between receipt and disbursement of federal funds resulted in the loss of interest revenue and potential use of the funds by the federal government.

The district was unable to determine why the excess cash was drawn because the grant director and the grant accountant have left the district.

We recommend the district determine the amount of interest owed and remit it to the U.S. Department of Health and Human Services.